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PUBLIC INQUIRY UNDER THE PUBLIC
INQUIRIES ACT, CHAPTER 258, R.S.A. 1955

into

The appointment by the Minister of
Education of an Official Trustee for
Fort Vermilion School Division #52.

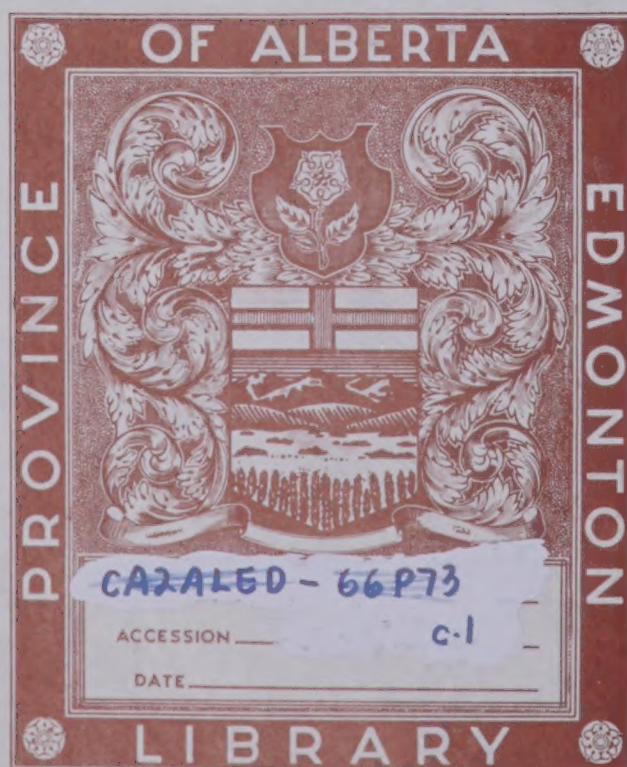
REPORT
OF
THE COMMISSIONER

His Honour Chief Judge Nelles V. Buchanan (Retired)

February, 1966

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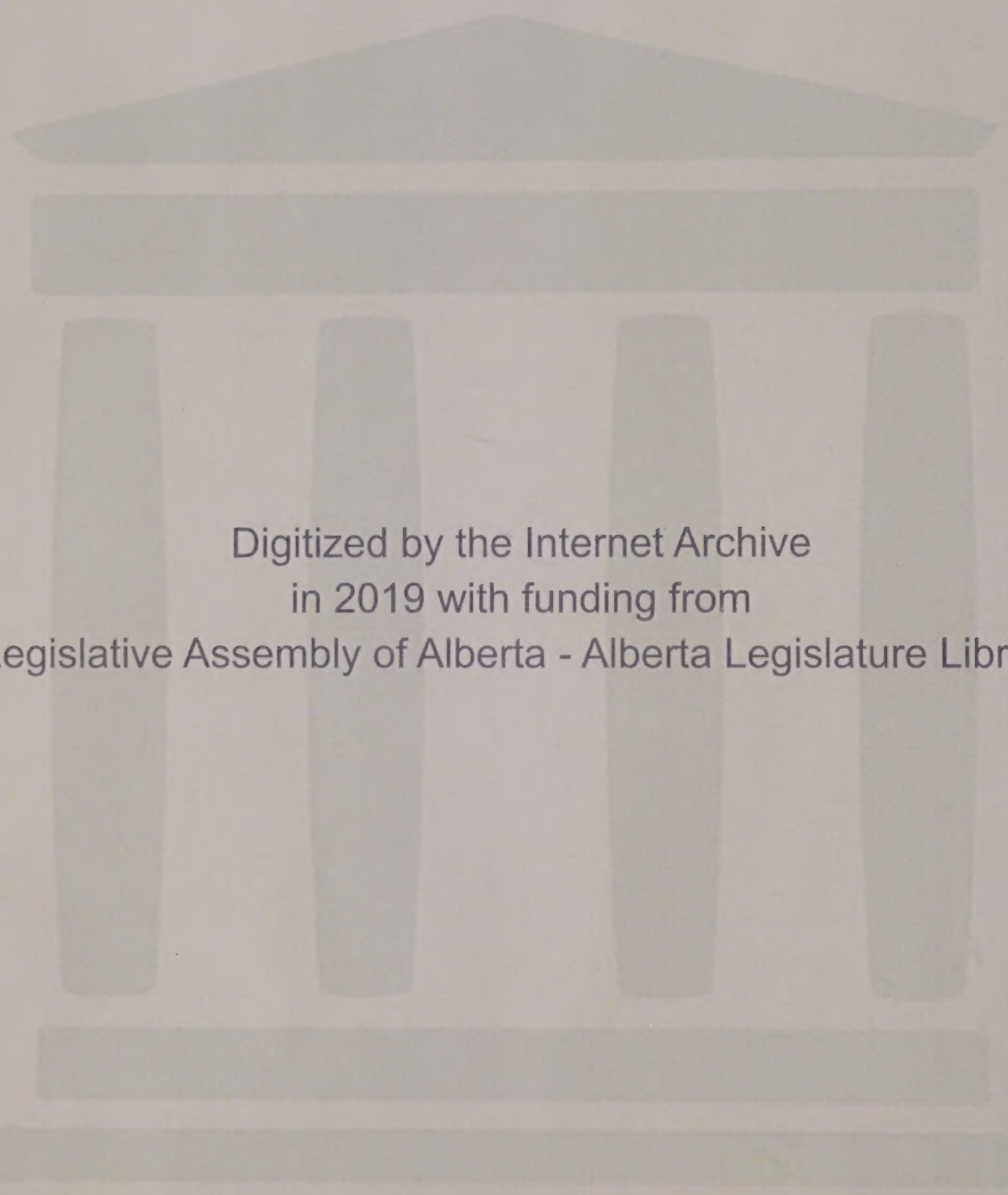
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TO HIS HONOUR

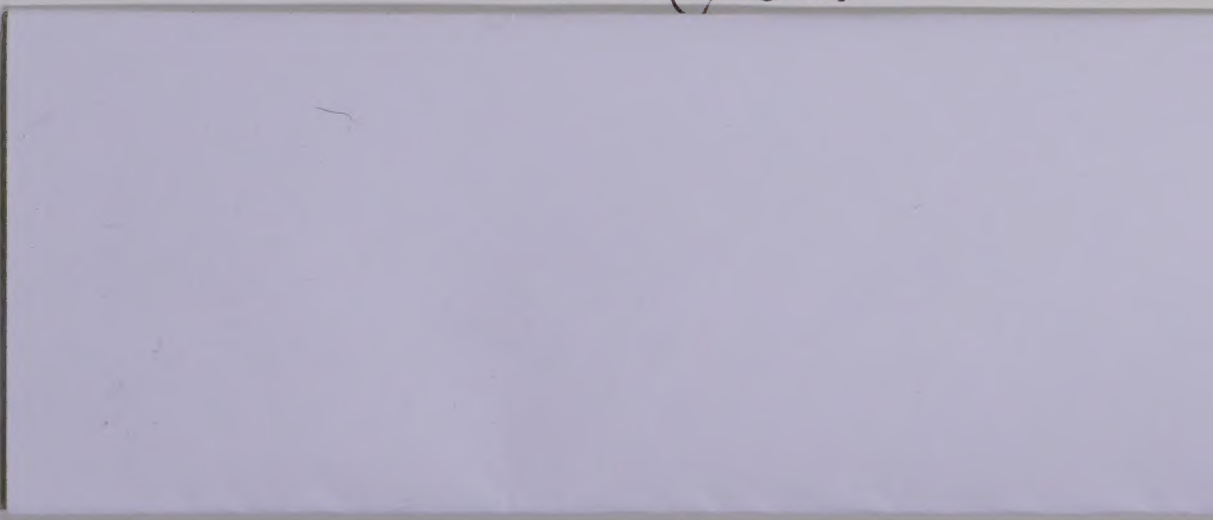
THE LIEUTENANT GOVERNOR IN COUNCIL,

May it please Your Honour,

I, the undersigned, Nelles V. Buchanan, Retired Chief Judge of the District Court of the District of Northern Alberta, appointed Commissioner by Order in Council O.C. 564/65, in conformity with The Inquiries Act to investigate and report upon the events and causes leading to the appointment of an Official Trustee for the Fort Vermilion School Division #52 and the consequent replacement of the School Division's elected Board of Trustees.

Beg To Submit To Your Honour

The Following Report



INTERPRETATION

In this Report the words in Column 1, when used, have the meanings stated in Column 2.

<u>Column 1</u>	<u>Column 2</u>
"Act"	The School Act, being Chapter 297, of the Revised Statutes of Alberta, 1955, with amendments up to and including 1964.
"Board"	The Board of Trustees of Fort Vermilion School Division No. 52.
"Department"	The Department of Education of the Province of Alberta.
"Division"	Fort Vermilion School Division No. 52.
"Elector"	A person entitled to vote at an election in a subdivision, namely a person who being a Canadian citizen or British Subject, twenty-one years of age or over, resides in a district, within the subdivision.
"Minister"	The Minister of Education.
"Municipality"	Any city, town, village, municipal district, county, improvement district or special area.
"Proprietary Elector" ..	Any elector who is liable to assessment and taxation for school purposes in respect of property situated in the division.
"Subdivision"	An area within a Divisional area, established by Ministerial order, and containing such number of school districts as are prescribed in the said order.
"Superintendent"	The Superintendent of Schools of Fort Vermilion School Division No. 52; prior to August 1963, T.E.Giles, and subsequent to August 1963, E.R. Daniels.
"Trustee"	A member of the Board of Fort Vermilion School Division No. 52.

I. ARRANGEMENTS FOR THE HOLDING OF THE INVESTIGATION

Following the promulgation of the Order in Council on April 1, 1965, Mr. James E. Redmond was appointed as Commission counsel, Mr. John P. McClary, C.A., as adviser to the Commissioner in accounting matters, and Messrs. Harold Kline and G.E. Barber, of Grande Prairie, as shorthand reporters.

Subsequently, announcement was made that Mr. William Henkel had been assigned by the Attorney General as counsel to represent the Department of Education, that Mr. Howard Irving Had been retained on behalf of Official Trustee Edwin Robert Daniels, and Mr. Sol Estrin had been retained on behalf of four of the five Trustees who by statutory provision ceased to hold office upon the appointment by the Minister of Education of the Official Trustee, the four trustees being: Mrs. O.H.R. Lambert, of Rocky Lane, Messrs. J.J. Driedger, La Crete, S. Froese, La Crete and L.R. Northey of Fort Vermilion. Former trustee, and Board Chairman, R.A. Backstrom, of High Level, was unrepresented by counsel at the hearings.

The five subdivisions of Fort Vermilion School Division #52, containing during the year 1964, a total of twenty-one school districts, are situated in the Fort Vermilion region, some 550 miles North of the City of Edmonton, eight of the districts lying North of the Peace in the area drained by Bushe River, a tributary of the Peace, the remaining thirteen being situated South of the Peace, in the drainage basin of that River, the most southerly school district being some forty miles South-west of the settlement of Fort Vermilion.

All sittings of the Inquiry, occupying twelve and one-half days, between July 19 and August 4, 1965, were held in the gymnasium of the Fort Vermilion School. There being no accommodation for Commissioner, counsel and Department officials in Fort Vermilion settlement, they made their headquarters at High Level, forty-five miles West of Fort Vermilion, on the McKenzie highway, driving the forty-five miles twice daily, on a road, the usefulness of which varied with the weather.

It is a pleasure to state that from the preliminary discussions, settling various matters of procedure, on through the somewhat lengthy sessions of the hearing to their conclusions, I had fine co-operation from all counsel; their diligence in the pursuit of their respective roles and their ambition that all relevant evidence should be presented resulted in an arduous task for the shorthand reporters and a transcript of some thirteen volumes.

II MINISTERS OF EDUCATION AND MEMBERS OF THE STAFF OF THE DEPARTMENT OF EDUCATION WHO EITHER GAVE EVIDENCE AT THE INQUIRY OR WHO REPRESENTED THE DEPARTMENT IN DEALINGS WITH THE DIVISION DURING THE PERIOD COVERED BY THE EVIDENCE:

Hon. A.O. Aalborg, Minister of Education during that portion of the period to which the evidence relates, which is prior to July 31, 1964.

Hon. R.H. McKinnon, Minister of Education during that portion of the period to which the evidence relates, which dates from his succession in office to the Hon. A.O. Aalborg, July 31, 1964.

Dr. William H. Swift who joined the staff of the Department of Education in 1930, and succeeded the late Dr. G. Fred McNally as Deputy Minister, in 1946.

Dr. Ernest D. Hodgson, for three years a School Superintendent, for seven years an Inspector of High Schools, and from April 13, 1964, Director of School Administration, all in the service of the Department of Education.

Mr. Edwin R. Daniels, B.Ed., served two years as principal of High Prairie School, two years as assistant to the Superintendent of High Prairie School Division, appointed Superintendent of Schools, Fort Vermilion School Division, in August of 1963, succeeding Superintendent T.E. Giles, and appointed Official Trustee of Fort Vermilion School Division by Ministerial Order, November 20, 1964.

Mr. T.E. Giles, who retired as School Superintendent for the Division in August 1963 and who throughout the hearing was out of the Province, not available to give evidence.

Mr. A.B. Wetter, Assistant Director of School Administration, Department of Education, who participated in Departmental discussions on the conduct of the Division's affairs but whose contact with the Divisional personnel was either in Departmental offices or by correspondence.

Mr. R.B. Budge, a Field Administrative Officer, Department of Education, whose contacts with the Division were confined to the Departmental offices.

Mr. U.R. Shogren, since 1954, a Field Administrative Officer, responsible to the Director of School Administration; Senior Field Administrative Officer during the period covered by the Inquiry; accompanied Hon. Mr. Aalborg in a visit to the Division in June 1964, and with Field Officer Penrice spent October 20-21 in a detailed inspection of the Divisional office in Fort Vermilion.

Mr. R. Penrice, successively assistant secretary-treasurer of the County of Sturgeon No. 90, Secretary-Treasurer of the Municipal District, and later, County of Barrhead, Field Administrative Officer from August 1961; due to concern in the Department as to the operation of the Division occasioned by a report from Superintendent Giles, inspected the records of the Division in October of 1963 and reported thereon to the Divisional Board and the Department; accompanied Mr. Shogren in the October 20-21, 1964, inspection of the Divisional office and joined with Mr. Shogren in submitting a report thereon to the Department.

III. BOARD OF TRUSTEES AND SECRETARY-TREASURER

For the purpose of this Inquiry, Board membership during the years 1963 and 1964, only, is of concern.

- (1) Mr. R.A. Backstrom, Chairman, was elected to the Board in June of 1963, and in the September following was elected Chairman, succeeding Chairman C.N. Stephen, who had resigned.

Mr. Backstrom quit the role of bus driver to become a farmer in the High Level District and had been farming seven years before election to the Board. He had a Grade VIII education and prior to election had experience neither in school affairs nor in public office.

- (2) Mr. J.J. Driedger, Vice-Chairman, a farmer, was elected to the Board, he thought, in February, 1963, had a Grade VII education and prior to election had never before served on a School Board or in any other public office.

- (3) Mr. S. Froese, also a farmer, elected to the Board, he thought, in July 1963, had Grade VIII education, and was without previous experience either in school or municipal office.

- (4) Mrs. Olive H.R. Lambert, elected to the Board, according to her recollection, in March 1952; had Grade IX schooling, started

Grade X by correspondence but did not finish; also lacked previous experience in school or municipal service.

- (5) Mr. L.R. Northey, commercial pilot with service in the Air Force; attended his first Board Meeting in February 1964, his first experience in either municipal or school affairs; as to education, a senior matriculant with four years in the College of Optometry in Toronto.
- (6) Mr. C.I. Dunn, assumed his duties as Secretary-Treasurer of Fort Vermilion School Division August 2, 1962; had served as bookkeeper with the Alberta Association of Municipal Districts and as assistant to the Secretary-Treasurer of the County of Mountain View.

On his application for employment, Mr. Dunn showed himself as possessing Grade XII standing with one year in Commerce at the University of British Columbia; he in fact, possessed neither, only Grade VII. He justified the unjustifiable misrepresentation by stating that he had taken a series of correspondence courses in bookkeeping, industrial and cost accounting and municipal administration with LaSalle Extension University and the University

of Alberta. Upon employing Mr. Dunn, the Division paid moving expenses of \$400.00 upon his undertaking to remain in the Division's employ for a minimum period of three years; within one year and seven months Mr. Dunn, by mimeographed letter sought employment from School Divisions throughout Alberta, again misrepresenting his academic accomplishments.

IV. BOOKKEEPING AND RECORD SYSTEM EMPLOYED BY THE DIVISION 1963-4

Since the Report deals with the activities, or inactivities, of the Board and Secretary-Treasurer, frequent reference must be made to the books in use and bookkeeping methods employed.

Mr. John P. McClary, C.A., adviser to the Commissioner in accounting matters, thus describes the bookkeeping system which he found in use in the Divisional office upon his first visit in July 1965 -- a system which had been in use throughout the period covered by the evidence -- and comments thereon.

Cash Book
Cash Journal
or
Cash Synoptic

"The main book of original entry is a combination cash-receipts-and-disbursements books. It is a large double-page form, approved by the Department of Education, so ruled that detail space and columns are available for entering and distributing

the entries from various source documents on which are recorded all cash receipts and all payments out.

Source documents:

Information from which to write up the Cash Book, sometimes referred to as the 'Cash Journal' or 'Cash Synoptic' is obtained from what may be termed 'source documents'.

Receipt Book:

The source document in the case of cash receipts consists of the receipt book in which appear duplicates of receipts given to the payer for funds received, whether in the form of cheques, drafts, money orders, or actual cash. Receipts should be written for every amount paid in to the Secretary-Treasurer, immediately upon its receipt: delay is dangerous. Each receipt shows the date of payments, the name of the payer, the amount paid, the purpose for which payment is made, and is signed on behalf of the Division by the person receiving the money, preferably by the Secretary-Treasurer. The receipts are printed, in duplicate, numbered consecutively so that they may be accounted for and are bound in book form.

Bank Deposit
Book:

A further source document for the receipts section is the duplicate deposit book. Space is provided on the deposit slip to list the amounts and description of all cheques deposited and to show details of currency and coin. The best practice demands that all cash should be deposited in the form in which it is received. Any deposit must cover exactly the total money recorded in the receipt book as having been received subsequent to the immediately preceding deposit.

Duplicate
Cheques:

The source documents in respect of cash disbursements are (i) duplicate copies of cheques issued or cheque stubs, together with (ii) vouchers supporting, justifying, giving details in respect of the cheques issued. In some instances, a detachable form, equal in size to the cheque itself, is attached to the cheque on which the payer may list for the information of the payee, details of the items being paid. The Division office used duplicate cheques on which a carbon reproduced writing or typing placed on the cheque.

Vouchers:

The vouchers in support of cheques are printed in normal sheet size: they provide space

for detailing the items paid and for setting out the account(s) to which the payment is to be charged. Each voucher will have attached to it the invoices or accounts being paid.

The vouchers can be pre-numbered or a space provided for inserting an identifying number: it contains indicated places for the date and for the signatures of the Secretary-Treasurer and Chairman of the Board (or his substitute duly authorized by resolution of the Board) indicating examination by them of the voucher, invoices or accounts, and approval of the disbursement. Vouchers with all attached documents are filed in Shannon files.

Payroll
Journal,
Earnings
Record Cards
and Payroll
Cheques:

Another book of original entry is the payroll journal, consisting of looseleaf sheets in a binder. It is made up of successive monthly payroll sheets, inserted following completion and entering of each month's payroll sheet. Supplementary to the payroll journal are individual earnings record cards, one for each employee, together with special cheques for the payroll account.

One-write
System:

Under the 'one-write' system used at Fort Vermilion School Division the payroll was

prepared once each month. Names of employees are entered on successive lines on the left side of the sheet. To the right of each name are entered the gross pay, the appropriate deductions for various purposes, and the net amount payable, each item in a separate column. When the employee's pay cheque is being written, the employee's earning record card and a narrow strip along the edge of the cheque are matched with the proper line on the payroll journal sheet, thus accomplishing simultaneous entry of all three.

After the appropriate entries have been made in respect of all employees whose names appear on the sheets required for any month, the payroll journal sheets are totalled and cross balanced, and the totals are inserted at the end of the last sheet. The payroll cheques can then be completed by inserting the name of each payee and the amount of his net earnings in his particular cheque. Payroll cheques are also made up for payment of the various deductions to the authorities entitled thereto. Thus the total of all payroll cheques should equal the total amount of the gross pay.

Before the payroll cheques are released, the Secretary-Treasurer makes out a voucher for the total gross pay, showing thereon the various expense accounts to be charged. He likewise makes out a cheque drawn on the general account for the same total gross pay and deposits it in the payroll bank account. When all the payroll cheques have been presented for payment, the balance in the payroll account should be nil. The voucher completed for the amount of the gross pay has the payroll journal as evidence in support of the disbursement: the entry in the cash receipts and disbursements book (cash book, cash journal) consists only of the general account cheque issued and the distribution to the expense accounts being charged.

When all the entries in the cash receipts and disbursements book have been completed for a particular month, the book is ruled off, totals arrived at for the various columns and the book cross-balanced. The totals and individual entries in the 'general ledger' column -- a column which contains entries of separate amounts which it is desired to post in detail -- are posted to the general ledger.

General
Ledger:

The volume known as the general ledger contains accounts for assets, liabilities, revenue, expenditures and surplus or deficit, both for current operations and capital purposes, and accumulates the figures for the year in summary form. Thus, at the end of any period, be it a month, a year, or any lesser period, the cumulative figures in the accounts can be arranged in such a way that financial statements can readily be prepared to set forth with clarity the financial position of the Division and the net result of operations at the time and for the period desired.

The general ledger, in effect, compiles in summary form a record of the financial transactions of the Division, on a continuous basis from year to year."

The Fort Vermilion School Division was using during 1964, a bookkeeping system essentially as has just been described: it adequately fulfilled the accounting needs of that Division. As will appear later in this Report, Secretary-Treasurer Dunn failed to operate the system with competence: confusion, rather than order, resulted.

V. FORT VERMILION SCHOOL DIVISION #52 -- ITS ORGANIZATIONAL
FRAMEWORK, ITS METHOD OF OPERATION, ITS FINANCING AND
ITS RELATION TO THE DEPARTMENT OF EDUCATION.

At the opening of the Inquiry, Commission counsel called Dr. H.W. Swift, Deputy Minister, to the witness box, to give those participating a general view of the fashion in which a school division functions, thus making more comprehensible to Commissioner, Counsel, witnesses and audience the extensive and detailed evidence which was to be led during the ensuing twelve days of the hearings.

Dr. Swift proved to be an excellent witness: his evidence in chief was presented with clarity and his answers to cross-examiners were delivered with readiness and brevity. From his evidence, chiefly, and from the Act, The School Buildings Act, The School Grants Act and Regulations, and The School Foundation Program Fund Regulations, the following summary is derived:

The school division is composed of those individual school districts which are named in the Ministerial Order establishing the school division and these districts in turn are grouped, by the Order, into subdivisions, generally five, as in the Fort Vermilion Division. The board of trustees, a body corporate, is composed of the five trustees, each elected by the electors of the districts forming a subdivision and is charged, under the Act, with the administration of the division, with the object of providing those

educational services necessary for the Division, throughout its total area.

The chairman of the board, elected by the board, is the unpaid chief officer of the board, called upon to exercise supervision over the affairs of the division. The board is served by a full-time paid employee, the secretary-treasurer, discharging the duties of both secretary and treasurer and by a superintendent who ever since the 1936 amendment to the then School Act providing for the establishment of school divisions, has been appointed by the Minister and paid out of Department of Education revenues. Unlike the superintendent in a school district, the divisional superintendent is not described in the Act as the chief executive officer of the board. Nevertheless, Dr. Swift states:

"I am of the opinion that, in the main, the superintendent is accepted by the board and by the secretary-treasurer as the chief administrative officer of the division. I am of the opinion that this has not usually come about because of any legal interpretation of section 199, but has come about because of a general awareness on the part of all concerned that this is a good arrangement. I think it would be fair to say that the capacities of the superintendents, the kind of people in the main that they are, have led to their

being accepted as having this kind of relationship to the board and its employees.

The number of cases in which the superintendent and secretary-treasurer have been unable to reconcile their respective duties as defined in the Act (sections 191, 192 and 193) has not been large."

The Division's major source of revenues is the School Foundation Program Fund. This Fund established by the Minister as provided in section 304a of the Act, secures its monies, in turn, from two sources; first, those sums paid in to the Department by all municipalities, from cities to improvement districts, resulting from the application of an annually-set mill rate to the equalized assessment of the municipality, as established yearly by the Alberta Assessment Equalization Board; and second, from the annual Legislative grant for school support purposes. The Fund is paid out to School Districts and Divisions in accordance with the provisions of the School Foundation Program Fund Regulations -- number of pupils, teachers and their qualifications, and transportation of pupils being the chief factors determining the amount of payments.

The second most important of the Division's sources of revenue is that derived from supplementary requisitions. If the money which a school authority receives from the School Foundation Program Fund and from other minor miscellaneous revenues is not adequate to meet the school authority's budget, it may make a

requisition directly on the one or more municipalities -- (in the case of Fort Vermilion School Division, on Local Improvement Districts via the Department of Municipal Affairs) within which the Division lies. The supplementary requisition is, in effect, direct taxation upon the ratepayers. It should be noted that before the Division may submit a supplementary requisition it must first submit its budget to the Department of Education and must have received the Department's advice -- not approval necessarily -- thereon.

The third source of revenue such as payments from the Federal government for the education of Indian children, tuition fees from other School Boards or from individual parents, does not constitute a significant portion of the Division's budget.

How does the Division finance the cost of construction of new buildings? Omitting detail, in this manner. The Board, duly advised and presumably by an architect -- School Act, sec. 238(3) -- decides on its needs, then presents those needs to the School Buildings Board, constituted under The School Buildings Act (1962, Chap. 81) and its Regulations, on which the Departments of the Treasury, Public Works and Education are represented. Only to the extent that it is satisfied, does the School Buildings Board give what is described as a Recognition of Need -- phrased generally on a square foot basis and a maximum cost of \$14.00 per square foot. The School Foundation Program Fund, in turn, supports the building program only within the limits stated in the Recognition of Need. Monies expended beyond the limits of the Recognition, the Division pays

from its own resources.

Having secured from the School Buildings Board its Recognition of Need, the Board seeks the approval of the Local Authorities Board -- having first advertised its intention to borrow, when prescribed by the Act -- which Board determines the extent of the borrowing. The Board's borrowings are made by debenture and to the extent that construction has been approved by the School Buildings Board, and to that extent only, the School Foundation Fund services the debenture -- any excess must be provided for in the Division's budget.

Short term borrowings? Yes, the Division may borrow to meet both current and capital expenditures but except under limited circumstances must first secure the Minister's approval.

Operating deficits, how met? If a Division has presented its budget to the Department and has received its "advice" thereon and if that budget from the Department's point of view is a reasonable and sensible budget, and if, nevertheless, a deficit is suffered -- that deficit will be carried forward into the budget of the following year but will be taken into consideration when application is made for a special grant. The Minister before making a special grant out of funds provided him by the Legislature must satisfy himself that the situation is one of special need: Fort Vermilion is one of the few Divisions of the Province which, on several occasions, has required and received special grants.

(Mr. McClary, in evidence, stated that in the year 1964, 95.6% of the Division's total revenue was provided by the School Foundation Program Fund and other Departmental payments.)

Relationship between the School Division and the Department: the Division of School Administration is the Division within the Department, which more than any other, has dealings with School Divisions. Budgets, financing, buildings -- these are the concern of the folk in the School Administration Division and they, therefore, have extensive and continuous relations with School Divisions. The staff of the Division of School Administration during the relevant period consisted of the Director, Dr. Hodgson, Assistant Director Wetter and Field Administration Officers Shogren, Penrice and Budge. The Chief Superintendent of Schools who is the immediate superior of school superintendents, reports to the Director. Communications between the Department and School Divisions in the business area far exceed those in the teaching area.

Maintenance of school buildings, though ultimately the responsibility of the Board, is frequently given in charge of a paid officer, a Supervisor of Maintenance, or Maintenance Foreman. Trustees cannot escape the personal duty imposed on them by section 187 of the Act to visit from time to time their respective subdivisions and report to the Board on the property situated therein.

VI. ORDER OF EVENTS PRECEDING THE APPOINTMENT BY THE MINISTER OF EDUCATION, HON. R.H. MCKINNON ON NOVEMBER 20, 1964 OF MR. E.R. DANIELS AS OFFICIAL TRUSTEE, FORT VERMILION SCHOOL DIVISION NO.52.

Early in 1963, Field Administrative Officers were aware that

all was not well with the Division; Superintendent T.E. Giles by letters dated July 3rd and August 5th, 1963, severely critical of Secretary-Treasurer Dunn and circulated in the School Administration Branch, led to the dispatch to the Division Office in October of 1963 of Mr. Penrice and to his report to the Board and Department.

In conversations both at and immediately following the 1964 Summer Short Course in School Administration, held at Banff, and attended by Mr. Dunn, the duties and activities of Mr. Dunn in the office of Secretary-Treasurer were discussed. By correspondence and interviews during the summer of 1964 the officers of the Administrative Department were given opportunity to appraise the personality and capacity of Mr. Dunn. To both Dr. Hodgson and Mr. Shogren he was spending time in the field to the neglect of the office routine, had difficulty in adjusting his performance to that of the Superintendent, aspired with inadequate experience and background to be the chief executive officer of the Division.

A confidential letter dated Augst 20, 1964, addressed by Superintendent Daniels to Dr. Hodgson, followed by a report from Mr. Daniels to the Board on September 4, 1964, set out in detail what Mr. Daniels deemed shortcomings and irregularities in the administration of the Divisional Office and the handling of its funds. This report together with information that an interim audit of Divisional books had been made by Divisional auditors, Messrs. Nash & Nash of Peace River, and that a letter reporting adversely thereon was in the hands of the Board Chairman, moved Dr. Hodgson to dispatch Messrs. Shogren and Penrice to Fort Vermilion to inspect the Divisional Office,

weigh the contents of the interim audit and report.

A day spent in the Divisional office and attendance at a Board meeting led Messrs. Shogren and Penrice to the decision that the office administration and accounting were in a state of confusion. They deemed the situation sufficiently urgent to justify their recommendation to the Minister that he exercise the power conferred by section 209 of the Act and order a special audit of the Division's books and accounts. Their recommendation was accepted and by telegram on October 21st the order was conveyed to the Board.

Messrs. Shogren and Penrice in a lengthy report, October 26, 1964, to the Director, outlined their grounds for recommending a special audit. They reported verbally to Dr. Swift on their return to the Department. Dr. Swift had opportunity to see the interim audit as well as the Shogren-Penrice report. On the morning of November 17, 1964, a copy of the special audit made by Messrs. Nash & Nash came into Dr. Swift's hands. Almost everything in it caused him concern. On November 18th a telegram drafted by Dr. Swift in association with his staff, was phoned from Peace River, recorded by Mr. Daniels at Fort Vermilion and handed to Chairman Backstrom, reading thus:

"Please advise immediately following today's meeting what steps Board proposes to take to deal with intolerable situation revealed by recent audit. Our concern relates to performance of Secretary and also apparent lack of proper control by School Board itself."

Chairman Backstrom's reply by telegram on November 19th reading:

"The Board of Trustees of Fort Vermilion School Division moved to retain the services of C.I. Dunn as Secretary-Treasurer on a three month probationary period. Performance of his duties will be reviewed during February."

was deemed completely inadequate by Dr. Swift and members of the School Administration Department. The situation was referred to the Minister who after consideration decided to use the power granted him by section 75 of The School Act, the pertinent portion of which reads:

"75(1). The Minister may appoint an official trustee to conduct the affairs of any district or division, and the official trustee (a) has the powers and duties conferred by this Act upon the board and its officers, -----

* * * * *

(2) Upon the appointment of an official trustee the board, if any, of the district or division for which he is appointed ceases to hold office as such."

By telegram the Board and Mr. Daniels were informed of the Minister's order appointment Superintendent E.R. Daniels as official trustee, thereby relieving Board members of their office as trustees.

VII. PERFORMANCE OF BOARD AND SECRETARY-TREASURER
LEADING TO THE APPOINTMENT OF THE OFFICIAL TRUSTEE

Throughout the hearings, repeatedly, Mr. Estrin sought to direct the attention of witnesses to services rendered the Division, by Western Construction Consultants Ltd. and its subsidiary South Bend Structures Ltd. His purpose was not clear, unless to acquire virtue for the Board members by reason of the fact that in April of 1964, the Board terminated what it deemed to be its unsatisfactory association with Western Construction Consultants Ltd. and in its stead retained Messrs. Munzel and Associates.

On the last day of the hearing the following exchange took place between Mr. Redmond and the Deputy Minister:

Q "----- In the Departmental discussions in which you took part, which led to the meeting with the Minister, following which the Official Trustee was appointed, was the name of Western Construction Consultants mentioned as far as you recall?

A I have no recollection of it being mentioned.

Q Was the name of South Bend Structures mentioned at any one of these discussions?

A No.

Q In the meeting with the Minister, following which he rendered his decision, was any information

put before him by you or your officers
relating to either of those two companies?

A No." (Vol.XIII, p. 119-120)

This exchange disposes of any interest which the Commissioner need take in the question of whether the dealings of the Division with those two companies could in any way be construed as among "the causes" leading to the appointment of the Official Trustee.

The duty imposed upon the Commissioner by the Order in Council appointing him, O.C. 564/65 is stated in these words:

"----- to investigate and to report upon the events and causes leading to the appointment of an Official Trustee for the Fort Vermilion School Division #52 and the consequent replacement of the School Division's elected Board of Trustees, with particular reference to the following:

1. Internal administration.
2. Capital and Current expenditures.
3. Construction and Maintenance of School Buildings.
4. Relationship with the Department of Education and its officials.
5. Personnel policies.
6. Such other matters concerning the School Division as the Commissioner deems relevant to this Inquiry."

In the Commissioner's opinion the significant words in the portion of the Order in Council cited are "to report upon the events and causes leading to the appointment of an Official Trustee". He was further of the opinion that if, in the search for effective causes, it were found that any of the possible areas of interest referred to in the six subheadings, important though they might be in themselves, played no part whatever in the making of the decision to appoint the Official Trustee, those areas need not be given extensive time in the Inquiry. This decision narrowed the scope of the Inquiry and therefore of this Report.

An examination of the evidence of Dr. Swift in relation to the events of October and November 1964 -- evidence which I unhesitatingly accept -- reveals the situation which had developed at the Divisional Office, the Board's apparent indifference to, or complete inability to deal with that situation, the Board's decision to continue the employment of Dunn as Secretary-Treasurer despite the damaging facts contained in the special audit of the Division's books and the grounds upon which Dr. Swift, his staff and the Minister deemed the situation critical, one calling for immediate action. (Vol. VI, pp. 38-100)

Dr. Swift's first information concerning difficulties at Fort Vermilion came in mid-October 1964 when Dr. Hodgson reported his intention of sending Messrs. Shogren and Penrice to make an examination of the affairs of the Division; certain views which had been formed in Dr. Hodgson's Department had led him to conclude that this should be done. Dr. Swift concurred in Dr. Hodgson's decision.

On the afternoon of October 21, Dr. Hodgson received a telephone call from Mr. Shogren, at Fort Vermilion, urging that there should be a special audit of the Division's books. In Dr. Swift's absence, Dr. Hodgson took the matter to the Minister who instructed that a special audit should be conducted; the decision was conveyed by wire to the Board. Dr. Swift was given details of Mr. Shogren's telephone call and learned for the first time of the interim audit made by Nash & Nash and its contents (Exhibit 10A). Messrs. Shogren and Penrice, back in the Department, reported verbally to Dr. Swift on conditions at Fort Vermilion and presented a written report which Dr. Swift saw.

On the morning of November 17th Dr. Swift saw a copy of the Special Audit (Exhibit 12) performed by the Peace River office of Messrs. Nash & Nash as instructed by the Deputy Minister, so empowered by section 209 of the Act. He expressed himself as "quite disturbed" at what appeared to be the condition of matters in the Fort Vermilion office -- "I would have to say that almost everything in the report (audit) caused me some concern, although some matters more than others". Giving evidence, Dr. Swift reviewed, item by item, the findings of the auditors as contained in the 16 pages, Schedules A., B., C. and D. of their Special Audit. This Special Audit, its findings, comments, criticisms and schedules were examined with meticulous care at the Inquiry -- auditor Holm, Mr. Dunn, Board Members, the Assistant Secretary Mr. deKleine, all expressed their views thereon. I find that the following are among the more important facts established

by the evidence -- facts reflecting upon the efficiency and capacity both of Secretary-Treasurer and Board. I forbear commenting in detail upon the accumulation of less important established facts which but add to the weight of those now enumerated:

1. Overdrafts and loan balances indicated that the Division was in a very serious financial condition, a situation attributable to the fact that among other omissions, Mr. Dunn:

- (a) failed to submit requested information to the Department, in regard to the 1964 budget essential to the giving of advice thereon by the Department -- thereby barring submission to the authorities of a supplementary requisition for funds. (section 304a, ss 9.)
- (b) failed to submit to the Department of Municipal Affairs representing L.I.D.'s any supplementary requisition for funds.
- (c) failed to submit a claim to the Department for a special grant, badly needed to apply against bank loans and only secured, finally, at December's end, under the administration of the Official Trustee.
- (d) failed to deposit with promptness funds received for credit of the Division, some of substantial amounts, thus adding unnecessarily to payment of interest.
- (e) failed to apply for and secure prompt payment of funds due the Division of

\$4,065.00 owing by Northland School
Division.

2. The Board had habitually permitted the making of staff advances, out of Divisional funds, some of the most irregular being:

- (a) On August 19, 1964, to Mrs. A.K. Backstrom, a teacher, mother of the Board Chairman, \$1,000.00 -- to complete the construction of a farm home.
- (b) On August 26, 1963, to J. Khullar, a well paid teacher, \$400.00 -- allegedly to pay a brother's fees at Toronto University.
- (c) On September 23, 1963, to Mrs. Olive Lambert, \$100.00 "to buy a lovely saddle horse for myself".
- (d) To Mr. Dunn, Secretary-Treasurer,
 - (i) On February 29, 1964, \$100.00, by cheque on payroll account, to the Receiver General, for application on his personal income tax arrears, without record of any kind on Divisional books, until traced by the auditor.
 - (ii) On April 20, 1964, \$400.00 -- for the purchase of a car -- also by cheque on payroll account, not recorded in Board Minutes as having been authorized.

(iii) In August 1964 -- by way of premature payment of salary, expressed to Chairman Backstrom to be for the purchase of material for use in the construction of the Dunn Coin Laundry. (Vol. VIII, p. 106)

(As to staff advances generally, Dr. Swift commented (Vol. VI, p. 48):

"I recall being particularly concerned about this item. Firstly, because I questioned that it was proper for a school authority to be doing this sort of thing, and, secondly, knowing that in the end in this particular Division, it had to be supported by way of special grants, it seemed to be that, in effect, the Board might be thought of as lending not its own money but money from the Department of Education or the government".)

3. On October 30, 1964, the indebtedness of employees to the School Division totalled \$2,623.00 of which \$500.00 was owing by Mr. Dunn. In addition, Mr. Dunn was indebted to the Division for a further \$779.00 in respect of a series of items not deducted from monthly salary.
4. Mr. Dunn though pleading overwork as secretary and asking for an assistant, nevertheless gave

time to the construction and operation of a coin-laundry, as a private enterprise, to the neglect of his work with the Division. Lacking adequate funds for this enterprise, he in part financed on Divisional funds by habitually taking his pay cheques in advance and carrying a personal debit balance on the Division's books.

5. The Board either by reason of their inexperience, their ignorance of office routine and of the requirements of The School Act, or from over confidence in their Secretary-Treasurer, permitted the following:

- (a) the payment of one out of every six accounts paid between January 1 and October 30, 1964, had not been authorized and approved by the Board in manner satisfactory to an auditor.
- (b) improper, inadequate, careless handling of petty cash: an audit at October 31, 1964, would have shown \$100.00 petty cash unaccounted for. (Mr. McClary, Vol. XIII, p. 152)
- (c) partly, no doubt, because up to October 1, 1964, cheques on the Payroll Bank Account required but one signature (that of the Secretary-Treasurer), that account was used for purposes for which it was not intended; its use transgressed sound accounting principles and the purpose

for which it was established. (Act, sec. 193(2))

- (d) with unhealthy frequency, accepted cheques allegedly due them for meeting attendances, mileage, administrative and supervisory work which were not properly supported by expense account sheet and voucher therefor.
- (e) the issue of cheques to Board members for administrative and supervisory work without compliance with the statutory provision of section (189(2) of the Act, requiring that such work unless emergent must be authorized in advance by the Board.
- (f) failed to demand and receive from the Secretary-Treasurer monthly financial reports which would have revealed careless bookkeeping methods, income available but not received.

Mr. McClary, adviser to the Commissioner, in accounting matters, has had extensive experience in the auditing of municipal and school books of record. During the conduct of the Inquiry he not only heard all the evidence as presented, but, after hours, made a detailed examination of the Division's books. His opinion as to the manner of their keeping was elicited in cross examination by Mr. Irving:

Q ----- One final question,
Mr. McClary. From your own field as a chartered accountant, and from the information you have about the Fort Vermilion School Division office, would you say that the many discrepancies and

errors in your own particular field that are noted would constitute a very marked departure from the standards by which responsible and competent persons in charge of divisional offices habitually govern themselves?

A It would be my opinion, sir, that the standards maintained in the accounting were not what I would usually expect, as an auditor, in a municipal office, if this answers your question.

Q They were far below it, were they not?

A. Yes. (Vol. XIII, p. 102)

It should be stated, with emphasis, that throughout the entire Inquiry I heard not a whit of evidence that led me to doubt in the slightest the integrity of any trustee. The declaration made by Trustee Driedger, "I wanted to be a good trustee" (Vol. XIII, p. 17) could well have been uttered by every one of his colleagues. Nevertheless, it must be said that the Trustees lacked not only administrative experience but appreciation of their responsibilities under the Act as appears from their response to the following questions by Counsel:

CHAIRMAN
BACKSTROM

Q Did you ever actually read the section 199 of The School Act, sir, that describes the duties of the Chairman?

A I don't know if I have or not. (Vol. VIII, p. 79)

Q In any event, you realize it was your obligation as Chairman to exercise a general supervision over the affairs of the Division; did you realize that while you were Chairman, sir?

A I don't think, not particularly, no.

Q Did you realize it was one of your obligations as Chairman to exercise leadership of the Division?

A I felt that the leadership consisted of conducting meetings, and as far as taking over specific tasks in the Divisions, I wasn't too available to do this.

Q I see. Well, I understand, sir, that generally speaking because you were new at the job, you relied upon Mr. Dunn to tell you what should and should not be done by the Chairman, is that correct?

A To a great extent, I did, yes. (Vol. VIII, p. 80)

* * * * *

Q Mr. Backstrom, at the bottom of page 2 (of the Interim Audit, Exhibit 10A), re outstanding amounts, there are the

names J. Khullar, J. Maycock, M. Woodridge,
twenty-five, a hundred and twenty-five,
forty dollars respectively and your note
(on your copy of the Audit) is "can't collect".
Do you remember what that meant?

A These people, who were teachers, were no
longer working for the Division, and for
that reason, we couldn't collect an out-
standing amount from them, except by going
to Court, of course. (Vol. VIII, p. 13)

* * * * *

Q In any event sir, when you would sign these
transfer of monies from the general account
to the payroll account, before doing so would
you actually review the payroll journal?

A No, I wouldn't.

Q I understand that you didn't do this because
you wouldn't have understood the payroll
journal anyway?

A That's right.

Q And it would not have done you any good
even if you had looked?

A That's correct. Not without Mr. Dunn sitting
there and explaining to me for

a considerable length of time. (Vol. VIII, p. 107)

* * * * *

Q Yes, now the minutes record for the November 18th meeting, Mr. Backstrom, that the Board decided to put Mr. Dunn on three months probation. Now, did you agree with the actions that were taken by the Board at the November 18th meeting or did you feel that any further steps were required?

A No, I didn't particularly agree with this.

Q You didn't what?

A I didn't agree with this.

Q What did you think should have been done by the Board?

A I felt the Board should have discharged Mr. Dunn.

Q Did you express that view at the meeting?

A No. (Vol. VIII, p. 32)

MR. DRIEDGER:

Q Do you recall, sir, I just wonder, on the second page of the special audit (Exhibit 12) reference was made, for example, to the fact

that the supplementary tax requisition had not been sent out? Was there any discussion by the trustees about making sure this would be done promptly, or was that discussed?

A I don't recall this at that meeting.

(Vol. XIII, p. 12)

* * * * *

Q Now what about the telegram from Doctor Swift (November 18, 1964)? Did not that indicate to you that he, at least, thought the matter was serious? In his telegram he said it was intolerable.

A Yes. Well this telegram was not too clear the way I understood it. (Vol. XII, p. 178)

* * * * *

Q You mean the Board did not seem to understand the telegram?

A Not too correctly. (Vol. XII, p. 179)

MR. FROESE:

Q ----- Looking at page 6 of the special audit, there is an item "Payroll Account", and it is entitled by Mr. Holm "Unauthorized expense cheques paid out of single signature, payroll account", and you will

see that one of these payments is said to be for conveyance, one for travel, four for travel and one for a meter deposit. Had you any knowledge as a member of the accounts committee that payments were being made out of the payroll account for items of this kind?

A No. (Vol. XII, p. 110)
* * * * *

Q Now, looking at page 15 of the special audit, (Exhibit 12) Mr. Froese, this deals with capital account. You will notice here that there is a list of payments not authorized by a Board member. Now, this authorization by a Board member was one of the things that your committee normally did once it was formed in February (1964). Is that correct?

A Yes.

Q Do you recall whether any of the payments out of the capital account were presented to the accounts committee for approval, at all?

A I can't recall. (Vol. XII, p. 114)
* * * * *

Q Doesn't it strike you as odd that there are so many (vouchers) in these schedules (to the special audit) which were in one way or another irregular?

A It does strike me very odd, yes. (Vol. XII, p. 120)

* * * * *

Q ----- Now, Mr. Froese, were you surprised or in any way concerned when you found from the special audit in November that Mr. Holm complained that a considerable part of the Divisional revenue had not yet been received by that time?

A We didn't go through this special audit very thoroughly at the meeting, as I recall it. (Vol. XII, p. 123)

* * * * *

Q Was it your understanding from these advances that when they were given Mr. Dunn would promptly repay this money?

A I think it was.

Q And were you not disturbed in October when you learned that Mr. Dunn was making no effort to repay the Board?

A Not very much. (Vol. XII, p. 145)

MRS. LAMBERT:

Q And were you aware that Mr. Dunn was paying himself each month well in advance of when he should be?

A No, sir, I wasn't.

Q Would you have approved of that had you known?

A It would depend on the circumstances, I think, sir. (Vol. XII, p. 58)

* * * * *

Q You were at the October 7th (1964) Board meeting?

A Yes, sir, I was.

Q And the interim report (Exhibit 10) was available at that time. The auditor's interim report?

A I believe so, yes, sir.

Q Did you read it then?

A I must have, but I can't remember.

Q Have you not read the Interim Report (audit) recently at all?

A Well, I have been over it but I haven't studied it. (Vol. XII, p. 61-62)

(Shown a July 24, 1964, Division cheque for \$150.00 payable to her for "meeting and supervision" plus supporting material.) (Exhibit 118)

Q And the copy of the cheque described it as being for "meetings". Is that correct?

A It wasn't all meetings though; it was supervision.

Q Well now, you were paid how much per meeting?

A Fifteen dollars.

Q And how much would you be paid for supervision, and how would you be paid for that?

A (No answer)

Q What were you entitled to?

A We got mileage and I think we got \$15.00 if it was a full day spent; half that if it was a half a day spent.

Q Now you would get mileage for the use of your car on supervision?

A That's right, sir.

Q And if you were supervising something for the subdivision you would receive remuneration on the basis of \$15.00 per whole day.

A Yes, sir.

Q Now, when you would ask to be paid for these amounts, what sort of an accounting did you give Mr. Dunn?

A Well, we had accounting sheets and when we didn't have any in the office, you see, Mr. Dunn used to make notes of it.

Q ----- Now what would you tell Mr. Dunn, would you just say to him at a meeting, "I am entitled to \$150.00", or would you give him a breakdown why you were entitled to that sum?

A I think it was understood.

Q ----- You were getting mileage at what, twelve cents a mile?

A I don't remember just what it was.

Q Well, insofar as this business of supervision was concerned, what did that involve?

A It involved looking after such as putting up tenders for firewood or else getting somebody who would get firewood. And if anything was needing around the school we'd have to go to the school, and for instance, we had to go and measure wood

that was hauled there. And sometimes the principal would ask us to get something from the office if we were making a trip into town. And on a couple of occasions the building foreman asked me to go out and look at the building.

Q And is this the sort of thing you describe as supervision?

A Yes, sir, some of it.

.

Q While in showing you the supporting material for the July 24 cheque, wouldn't you agree with me that this is completely inadequate to allow anybody who might inspect the books to see if this was a proper payment?

A I don't know sir.

Q Well, it doesn't say what meeting you attended or what supervision you had engaged in, does it?

A No, sir.

Q It doesn't tell the mileage -- there is absolutely no way in which the auditor on looking at this information could

possibly determine whether you were under-
paid or overpaid. Is that correct?

A Yes, sir. (Vol. XII, p. 37 et seq.)

(A search of Board minutes for the year 1963-1964 indicates that no resolution whatever was passed during those years in respect of "administrative or supervisory work" by trustees, whether authorizing such work in advance or approving, post factum, the doing of emergent work -- all in contravention of section 189 of the Act.)

MR. NORTHEY:

Q ----- At the May (1964)
meeting (of the Board) -----
a discussion ensued on the duties of the
Secretary-Treasurer and it was the general
feeling that more of his time should be
devoted to public relations and investigating
matters, which would assist the Board in
making decisions. What was your under-
standing of the Board's intention in the
regard?

A ----- investigation in May ---
we were still endeavouring to establish some

responsibility, or the responsibility for the ninety-eight thousand dollar maintenance program, and we felt that this was most important, because my personal feeling was that due to poor previous construction methods, and lack of control, we were faced with ninety-eight thousand dollars (expenditure) which was unnecessary, and this was about the amount that we would have to apply to the Department for as a special grant, and through no fault of the Board's I feel that they were victimized. (Vol. XIII, p. 29)

* * * * *

Q Now, would you look at Exhibit 9 (Superintendent Daniels' letter to the Board of September 4, 1964, listing alleged errors and deficiencies in Mr. Dunn's and Board performance) and look through and tell me whether, first of all, yourself, whether you personally felt that any of those criticisms of Mr. Daniels were justified, and if so, which ones?

A Well, at the time of presentation, perhaps they all were justified, we didn't know ----- (Vol. XIII, p. 33)

* * * * *

Q ----- But would you approve
of his (Mr. Dunn's) conducting his private
banking affairs by using cheques, the
property of the School Division?

A It's probably not the best practice, no.
This advance was for the hundred dollars
owing -----.

Q No, no, I wasn't thinking about that --
I was just thinking about mixing up his
private affairs with the affairs of the
Division.

A I wasn't aware of the cheque at the time.
(Vol. XIII, p. 39)

* * * * *

Q Well, sir, would you look at page two of
the special audit (Exhibit 12), at the top
of the page, where the auditor says:
'These overdrafts and loan balances indicate
that your Division is in a very serious
financial condition. This situation has
arisen because your Secretary-Treasurer has
not' and then he listed four things. Did
you notice that wording that evening? (The
Board meeting of November 18, 1964)

A I perhaps did at the time, yes.

Q Can you recall now whether this impressed you, this suggestion at the top of page two?

A Well, it would certainly concern me, yes.

Q This information, looking down on the four items that are mentioned (by the auditor) -- (a) (b) (c) and (d) -- let's look at (b) for the moment -- (b) the Secretary-Treasurer had not made out the '1964 Tax Requisition'. Was this the first time this had come to your attention?

A In recalling, I would say, probably, yes.
(Vol. XIII, p. 92-93)

* * * * *

Q Well now, the telegram (Dr. Swift to the Board, November 18, 1964, Exhibit 55B) indicated to you then, Mr. Northey, that the Deputy Minister of Education thought that there was a pretty serious situation revealed by the special audit report. Is that fair?

A Yes.

Q (The Commissioner) Well, you are not suggesting that the language in the telegram is at all obscure or difficult to understand.

The language is clear enough, isn't it?

A Oh, yes. (Vol. XIII, p. 53)

VIII. INFORMATION AVAILABLE TO MINISTER AND STAFF
AS BASIS FOR ISSUE OF MINISTERIAL ORDER
APPOINTING OFFICIAL TRUSTEE

Dr. Swift, as indicated in his evidence (Vol. VI, p. 38 et seq) previously referred to, believed that the contents of the special audit, with which he, his staff and the Minister, on November 20th were familiar, the serious condition in the Divisional office as revealed by that audit, and the apparent unwillingness or absence of intention, on the part of the Board -- as indicated in their reply telegram to that of Dr. Swift -- to take any decisive action -- believed that these were the major grounds upon which the Minister's Order appointing an Official Trustee, was issued.

It must be remembered, however, that since the summer of 1963, by reports, correspondence, personal inspections of the Divisional office, school buildings and teacherages, by the Honourable Mr. Aalborg and Field Administration Officers, visits of Board members and Mr. Dunn to the Department offices -- discussions, personal, by letter and telephone -- by all these means, there had been acquired by Dr. Hodgson and his staff, and therefore by the Deputy Minister, what may fairly be described as a substantial body of information with respect to the quality, the inexperience, of Board members -- the shortcomings of the Secretary-Treasurer -- his failure to master procedure as laid

down in the Act, his inability to act in concert with any superintendent, qualities of character rendering him unsuitable for the highly responsible role of Secretary-Treasurer -- a Secretary-Treasurer whom the Board mistakenly declined to dismiss.

The Deputy Minister and his advisers, in addition to the alarming evidence contained in the special audit, thus had a further body of information in respect of the past performance of the Board and its Secretary-Treasurer which must have provoked in their minds grave doubts as to the ability of the Division, under their joint guidance, to meet the problems of 1965. Those doubts they would carry with them into the conference room.

Therefore, on the afternoon of November 19, 1964, when Dr. Swift and members of his staff waited on the Minister and discussed for an hour "the kind of things that might be done", the Minister was faced by a group of advisers whose knowledge of the Division, its Board and Secretary-Treasurer was extensive, not limited merely to the contents of the special audit -- knowledge that bred misgivings in their minds as to the future of the Division, should that future remain with its present custodians. Undoubtedly, in the course of the hour, discussion must have ranged over a wide area; the Minister would naturally seek all the information he thought necessary for the making of an important decision. That information as indicated in the immediately preceding paragraphs, added to the contents of the special audit with which the Minister was already conversant, would constitute the total facts upon which he must rest his

decision as to whether or not the power entrusted to him by section 75 should be invoked.

IX. FINDINGS

In my view the evidence adduced before me in the course of the Inquiry at Fort Vermilion, as outlined in Parts VII and VIII of this report, established fully -- overwhelmingly -- that the Minister, in appointing on November 20, 1964, an Official Trustee for Fort Vermilion School Division No. 52 -- thereby replacing the Division's elected Board of Trustees, was completely justified in so doing and that to have delayed the appointment would have been detrimental to the welfare of the Division and therefore unwarranted.

X. SUGGESTIONS AND RECOMMENDATIONS

1. Out of his lengthy experience in the Department and as Deputy Minister, Dr. Swift stated that clashes between the Superintendent and the Secretary-Treasurer were of infrequent occurrence -- nevertheless they do occur as they did in this Division's case. Thought might be given as to whether the time has not now arrived for the amendment of the Act making the Superintendent the appointee and employee of the Division rather than of the Department, or in the alternative, to defining more definitely the relationship between superintendent and secretary-treasurer.

2. The appointment, under section 75 of the Act, of an Official Trustee can be a costly exercise of statutory power, humiliating to the Board and electors.

An appropriate question is: could early measures have been taken by the Department to anticipate the condition for which on November 20, 1964, the only remedy was the appointment of an Official Trustee? If so, was the Department adequately staffed to take such measures? The latter question is answered by the following extracts from the evidence, first of Dr. Hodgson:

Q Now Dr. Hodgson, having received that letter (from Superintendent Daniels, dated August 20, 1964, severely critical of the Secretary-Treasurer and of what Mr. Daniels thought to be his failures, seriously impairing and hampering the operation of the Division, Exhibit 44), can you tell us what you did with the letter and how you dealt with it?

A I sent a very brief handwritten note to Mr. Daniels indicating that ----- as soon as I was able to get some staff members who had some time free, I would ask them to visit Fort Vermilion. -----

----- later, I said: 'You understand that because of the shortage of staff during the summer and commitments during the Fall that we cannot do anything immediately'. (Vol. V, p. 47)

* * * * *

and again of Dr. Swift, being questioned by Mr. Redmond regarding the discussions which took place in the Minister's office as to the particular person who should be appointed as official trustee:

Q And did you rule out the possibility of appointing someone from the Department in Edmonton?

A Yes.

Q Was there any particular reason for that, that you can recall?

A As far as I can recall, chiefly the factor of distance. It didn't seem to us, as we looked at it then, that someone as far away as Edmonton could exercise this function having regard to the circumstances as they appeared to us to exist. And we did not feel that we could, at that time, take one of

our (School Administration) officers
-- bear in mind we have only three --
we could not take one of these officers
and send him to Fort Vermilion, to be
permanently stationed there for a period
of time.

* * * * *

It is unrealistic to expect that in outlying areas, such as that of Fort Vermilion School Division, (or such as Lac La Biche School Division, Edson School Division or Spirit River School Division where on previous occasions, an official trustee has been appointed), boards with administrative experience, capable of administering with skill budgets of between one half and one million dollars, will be elected. On the contrary, it should be expected that boards with little or no administrative experience will be elected and will come to grief if not assisted by trained and skilled administrators bent on coaching rather than criticizing, seized of the idea that operation of a School Division by an elected and efficient board and not by an official trustee is the design upon which the Act is constructed.

To quote Trustee Driedger:

"----- New members
on the Board, that do receive very

little instruction from anybody

had a hard time." (Vol. XIII, p. 20)

The evidence clearly indicated that the present Field Administrative Staff of three is inadequate, in numbers, to attend to routine administrative work throughout the whole Province and in addition to give to a division such as Fort Vermilion the emergent assistance it requires at the time required. In respect of Fort Vermilion, that assistance, had it been given early, and in quantity, might have provided such guidance as would have cured the Division's ills and kept its Board functioning.

3. Section 194 of the Act provides for the bonding of treasurers of divisions. The evidence indicated that in practice the Department supervises bonding and that the bonding is of the office rather than of a particular applicant for that office. If fidelity bonds were issued upon the direct application of the Division on behalf of a particular applicant, it is suggested that more complete investigation of the applicant would result.

4. For the guidance of those auditors called upon to make a special audit under section 209 of the Act, that section might well be amended to give

more detailed directions to the auditors as to the period to be covered, the nature and content of the audit, and instruction as to its distribution, after the style of section 205(2).

5. Trustee Northey is director of Fort Vermilion Air Services Ltd. At times this Company's services were necessary for trustees' transportation. This trustee rightly feared that use of these services might conflict with the prohibitions of section 89. This situation may well recur in outlying divisions. Amendment of that section might be considered.

APPENDIX "A"

LIST OF COUNSEL

Mr. James E. Redmond
Commission Counsel

1. Mr. Sol Estrin Mr. J.J. Driedger
Mr. S. Froese
Mrs. H.R. Lambert
Mr. L.R. Northey
2. Mr. Howard Irving Mr. E.R. Daniels
3. Mr. William Henkel The Department
of Education

APPENDIX "B"

LIST OF EXHIBITS

<u>EXHIBIT NO.</u>		<u>Volume</u>	<u>Page</u>
1.	Order-in-Council appointing His Honour Chief Judge Nelles V. Buchanan (Retired) Commissioner, April 1, 1965; O.C. 564/65 ...	I	. 5
2.	Booklet containing 32 photographs of School and Teacherage buildings, and portions thereof, Fort Vermilion School Division #52	I	. 9
3.	Description of photographs contained in Exhibit No. 2	I	. 15
4.	List of members of Board of Trustees and Officers during year 1964	I	. 46
5.	Report dated July 3, 1963, from Superinten- dent T.E. Giles to the Divisional Board respecting Secretary-Treasurer C.I. Dunn ...	I	. 61
6.	Letter dated August 5, 1963, from Superin- tendent T.E. Giles to Divisional Trustee amplifying his Report of July 3, 1963, Exhibit No. 5	I	. 65
7.	Memorandum dated October 26, 1964 from U.R. Shogren, Field Administrative Officer, Department of Education, to Dr. E.D. Hodgson, Director of School Administration, Department of Education, reporting on a two-day inspection by		

	Mr. Shogren and Mr. Penrice, Field Administrative Officers, Department of Education, of the Divisional Office, Fort Vermilion School Division #52	II	.	10
8.	Photostat copy of telegram, October 21, 1964 from Dr. W.H. Swift, Deputy Minister of Education, to R.A. Backstrom, Chairman of the Board, Fort Vermilion School Division #52	II	.	50
9.	Copy of letter dated September 4, 1964, from Superintendent of Schools, Mr. E.R. Daniels, to the Chairman of the Divisional Board, dealing with the performance of Mr. C.I. Dunn, as Secretary-Treasurer of the School Division	II	.	55
9A.	Original of Exhibit No. 9	VIII	.	6
10.	Copy of letter from Messrs. Nash & Nash, Chartered Accountants, Peace River, Alberta, to Mr. R.A. Backstrom, Chairman, containing details of interim audit of the books of account of the Division	II	.	55
10A.	Original of Exhibit No. 10	III	.	155
11.	Photostat copy of letter, November 16, 1964, Nash & Nash to Mr. Shogren, forwarding copies of special audit of the books of Fort Vermilion School Division (Exh. No. 12)	II	.	76
12.	Original copy of special audit of books of Fort Vermilion School Division #52, section 209 of The School Act, by Nash & Nash	II	.	77
13.	Letter, October 6, 1964, from Nash & Nash to Chairman of Divisional Board	III	.	33

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